

HOUSE BUDGET COMMITTEE

Democratic Caucus

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Democratic Budget Beats Republican Budget Across the Board

The Democratic budget surpasses the House Republican resolution (and the President's budget) in every respect important to Democrats. The Democratic budget protects key services from cuts and makes focused investments in health care and other priorities, while boosting economic growth with an effective, fiscally responsible stimulus plan. In contrast, the Republican budget cuts key services, fails to make adequate investments in health care and other priorities, and does not provide an effective economic growth plan. Every penny of the Republican spending cuts is used to pay for their oversized tax cuts. If Republicans agreed to drop their tax cuts and spending cuts, their budget would actually be in balance by 2008, four years earlier.

- ***Democrats Set Domestic Appropriations at Realistic Level*** — The President's budget cuts non-defense appropriations \$78 billion over ten years below the level needed to keep pace with inflation. But since the President's budget raises spending on international affairs by substantially more than inflation, the cut to domestic appropriations must be \$129 billion (3.1 percent) over ten years to reach the overall total. But the Republican resolution lowers domestic appropriations still further, by \$115 billion (2.9 percent) below the President. This means that domestic discretionary spending in the Republican budget resolution is \$244 billion below the current services level over ten years. The Democratic budget resolution restores the Republican cuts by setting domestic discretionary spending just above the level needed to keep pace with inflation — tight but feasible. As a result, the Democratic budget has substantially more funding than the Republican budget for education, homeland security, and other key priorities.
- ***Democrats Protect Services From Republican Cuts*** — The Democratic budget restores the dramatic cuts to services that the Republican budget requires. To fund its tax cuts which mainly benefit the few, the House Republican budget requires \$265 billion in cuts to public benefits over the next ten years. These cuts are likely to hit programs including veterans' benefits, loans for college students, school lunch programs, Medicaid, pensions for federal employees and railroad employees, and agriculture programs. Although Republicans say that they exclude Medicare from cuts, it is difficult to see how they can meet their totals without Medicare cuts.
- ***Democratic Budget Provides At Least \$128 Billion More For Prescription Drugs Than Republican Budget*** — The Republican budget provides only \$400 billion to fund a prescription drug program. By contrast, the Democratic budget provides \$528 billion in new money for prescription drugs, and gives the Ways and Means Committee the latitude to supply additional funds for prescription drugs by, for example, closing corporate tax loopholes.

- ***Democrats Provide Fair, Fast-Acting, Fiscally Responsible Economic Growth Plan*** — The Democratic budget includes the entire House Democratic stimulus bill, which boosts the economy immediately with \$136 billion in tax cuts and targeted investments in 2003. This is more than four times the first-year impact of the President's economic growth proposal, which is included in the House Republican budget. The Democratic plan will create about twice as many jobs as the President's plan, according to mainstream economic forecasting models, while costing less than one-sixth as much over the long term. While the Democratic plan focuses on the backbone of the American economy — working families and small businesses — the centerpiece of the Republican plan primarily benefits the wealthy by eliminating taxes on dividend income.
- ***Democrats Provide Fiscally Responsible Budget Without Relying on Harmful Cuts*** — The Democratic budget achieves balance in seven years, in 2010, through realistic policy choices that do not involve harmful or implausible cuts to key services. By contrast, the President's budget never reaches balance, paying for oversized tax cuts with skyrocketing deficits. The House Republican budget claims to reach balance in 2012 — but only by relying on harmful spending cuts. If these spending cuts are not enacted, then the result will be larger deficits. To make matters worse, the Republican resolution calls for the Congress to pass the enormous tax cuts *first* — before it is clear how many of the proposed spending cuts actually get enacted and before we know what war costs our country will face.

Top Reasons to Support the Democratic Budget

- ***Democrats Boost Economic Growth with Fair, Fast-Acting, Fiscally Responsible Stimulus*** — The Democratic budget includes the entire House Democratic stimulus bill, which boosts the economy now with \$136 billion in tax cuts and targeted investments in 2003. The Democratic plan will create about one million jobs — approximately twice as many jobs as the President’s plan, according to mainstream economic forecasting models. The Democratic plan is fiscally responsible — costing less than one-sixth of what the Republican plan costs over the long term — and allows the budget to recover as the economy recovers. The Democratic plan focuses on the backbone of the American economy — working families and small businesses — while the centerpiece of the Republican plan primarily benefits those who need help the least, for example by eliminating taxes on dividend income.
- ***Democratic Budget Supports A Robust Prescription Drug Plan*** — The Democratic budget provides \$528 billion in new money for prescription drugs, and gives the Ways and Means Committee the latitude to supply additional funds for prescription drugs by, for example, closing corporate tax loopholes. The Democratic plan provides a prescription drug benefit within the Medicare program. By contrast, the Republican budget provides only \$400 billion to fund a prescription drug program. Meanwhile, the Republicans do not guarantee that seniors can keep their doctors and stay in traditional Medicare and at the same time receive a meaningful prescription drug benefit.
- ***Democratic Budget Is Fiscally Responsible*** — The Democratic budget reaches balance in 2010 and has \$821 billion less debt than the Republican budget. The Democratic budget balances tax relief for economic stimulus, protection of Medicare and Social Security, and fiscal responsibility with providing adequate resources for homeland security, education, law enforcement, scientific research, and other public investments. House Republicans’ budget can reach balance two years later, in 2012, only if Congress enacts spending cuts that even one Republican committee chair termed “crazy”. If Republicans agreed to drop their tax cuts and spending cuts, their budget would actually be in balance by 2008, four years earlier. Every penny of Republican spending cuts is used to pay for their oversized tax cuts.
- ***Democratic Budget Provides Needed Resources For Homeland Security*** — From 2003-2013, the Democratic budget provides \$34 billion more than the Republican budget for homeland security. As proposed in January in our economic stimulus plan, the Democratic budget provides \$10 billion of this funding to the states in 2003, allowing states to put the money to work immediately to improve homeland defense. The Republican budget does not contain a penny of this 2003 funding. The Democratic budget also provides an additional \$24 billion — at least \$2 billion per year — above the Republican budget to improve homeland security over the ten years from 2004-2013.

- ***Democrats Support Effective Education Programs*** — The Democratic alternative budget rejects the Republican cuts to education. Over ten years, the Democratic budget provides \$44.0 billion more than the Republicans for programs that help educate students with special needs, train teachers, provide resources to help schools meet the tough new achievement standards set by the No Child Left Behind Act, and make schools safe havens for learning. For 2004, the Democrats provide \$3.2 billion more than the Republicans for education, training, and social services.

- ***Democrats Protect Veterans Who Protected America*** — The Democratic budget eliminates the \$14.6 billion Republican cut to mandatory veterans' benefit programs including compensation for service-connected disabilities, burial benefits, means-tested pensions for permanently disabled low-income veterans, Montgomery GI Bill education benefits, rehabilitation benefits, and housing loan programs. The Democratic budget also protects veterans' health programs against Republican cuts, providing \$16.2 billion more than the House Republican budget over ten years for these appropriated programs.

- ***Democrats Protect the Environment*** — The Democratic budget maintains the nation's commitment to protecting the environment and public health. For 2004, the Democratic budget provides \$30.6 billion for environmental protection and public lands management, \$3.6 billion more than the House Republican budget. Over the next ten years, the Democrats provide *over \$40 billion more* than the Republican budget to ensure that we have clean air to breathe, clean water to drink, and natural habitats to enjoy. The Democratic budget also rejects the Republican budget's reconciliation instructions to the Resources Committee, which could lead to opening the Arctic National Wildlife Refuge to oil and gas production.

- ***Democrats Protect Pensions and the Safety Net*** — The Democratic budget blocks billions of dollars of cuts required by the Republican budget that would likely fall on retirement and disability payments to federal employees, foreign service officers, and railroad workers. The Democratic budget also blocks Republican cuts that could affect the Earned Income Tax Credit, Supplemental Security Income for low-income aged and disabled individuals, foster care and adoption assistance, and the child care entitlement to states. The Democratic budget also protects funding for LIHEAP, WIC, housing, and other appropriated safety net programs, while adding \$10 billion more than the Republicans over five years to help working families with child care.

Top Reasons to Oppose the Republican Budget

- ***Fails to Promote Economic Growth*** — Instead of providing a fast-acting, effective, and fiscally responsible economic stimulus like Democrats propose, the Republicans offer a costly “economic growth package” that will do little to help the economy. Less than three percent of the Republicans’ \$1.35 trillion tax cut agenda occurs this year, when the economy needs a boost.
- ***Fails to Provide a Meaningful Prescription Drug Plan*** — The Republican budget provides only \$400 billion to fund a prescription drug program. At the same time, the Republican budget would require cuts of \$169 billion to programs overseen by the Ways and Means and the Energy and Commerce Committees — primarily Medicare and Medicaid. Meanwhile, the Republicans do not guarantee that seniors can keep their doctors and stay in traditional Medicare and at the same time receive a meaningful prescription drug benefit.
- ***Embraces Fiscally Irresponsible Tax Cuts Totaling \$1.35 Trillion*** — The Republican resolution accommodates all of the President's so-called growth proposal, making permanent all of the 2001 tax cuts, as well as \$50 billion of the President's \$161 billion in targeted tax breaks. These tax cuts will not provide an effective boost to the economy, but including them in the budget creates \$821 billion more public debt than the Democratic budget and also requires substantial cuts to national priorities.
- ***Makes Substantial Cuts to National Priorities*** — The Republican budget calls for at least \$265 billion over ten years in cuts to mandatory public benefits programs such as veterans’ benefits, loans for college students, school lunch programs, Medicaid, pensions and benefits for federal employees and railroad employees, and agriculture programs. The Republican budget also cuts domestic appropriations by \$244 billion below the amount needed to maintain services at the 2003 level. Remarkably, this amount is actually \$115 billion below the level in the President’s budget, which most Democrats — and many Republicans — thought was too low. *Every penny of the Republican spending cuts is used to pay for their oversized tax cuts.* If Republicans agreed to drop their tax cuts and spending cuts, their budget would actually be in balance by 2008, four years earlier.
- ***Contains Large Cuts to Education*** — The Republican budget cuts funding for education, training, and social service programs for 2004 by \$2.1 billion below the President’s low level. By 2013, the Republican cut grows to 6.1 percent below the amount needed to maintain purchasing power at the 2003 level. Assuming this cut is spread evenly, the Republicans cut 2004 appropriations for the Department of Education by \$1.4 billion (2.7 percent) below the 2003 enacted level. This cut means fewer resources for No Child Left

Behind and other education programs. Republicans deepen this cut by requiring the Education and the Workforce Committee to cut entitlement programs by \$261 million in 2004 and by \$9.4 billion over ten years, a cut that would fall on school lunch programs and student loans.

- ***Cuts Veterans' Benefits and Health Care*** — The Republican budget cuts compensation for service-connected disabilities and education benefits by \$14.6 billion and cuts veterans' health care funding by another \$14.2 billion over the next ten years, compared to the levels needed to maintain current benefits and levels of purchasing power for health care. The Disabled American Veterans, the Paralyzed Veterans of America, and the American Legion have all issued statements opposing the Republican budget.
- ***Cuts Billions from Pensions and Safety Net Programs*** — The Republican budget requires that the Government Reform, International Relations, and Transportation and Infrastructure Committees make billions of dollars of cuts to programs that they oversee — cuts that would likely fall on retirement and disability payments to federal employees, foreign service officers, and railroad workers. Additionally, the Republican budget directs the Ways and Means Committee to reduce direct spending by \$62 billion over ten years, which could result in cuts to the Earned Income Tax Credit, Supplemental Security Income (SSI) for low-income aged and disabled individuals, foster care and adoption assistance, the child care entitlement to states, and, realistically, Medicare.
- ***Fails to Protect the Environment*** — The Republican budget cuts appropriations for environmental protection for 2004 by \$3.1 billion below the level needed to keep pace with inflation. This could result in cuts to clean water infrastructure, brownfields redevelopment, and other programs that ensure that the American people have clean air to breathe, clean water to drink, and natural habitats to enjoy. To make matters worse, the Republican budget's reconciliation instruction to the Resources Committee could result in opening the Arctic National Wildlife Refuge (ANWR) to oil and gas production.
- ***Fails to Make Adequate Investments In Health*** — The Republican budget reduces funding for appropriated health programs for 2004 by \$2.4 billion below the amount needed to maintain purchasing power at the 2003 level, and makes additional cuts in subsequent years. These cuts could mean reducing or eliminating programs such as the National Institutes of Health, Community Health Centers, or Ryan White AIDS programs. Meanwhile, the Republican budget requires cuts of \$169 billion from the committees with jurisdiction over Medicare and Medicaid.

Republicans Fail on Education

- ***Large Republican Cuts to Education*** — The Republican budget cuts appropriations for education, training, and social service programs for 2004 by \$2.1 billion (2.7 percent) below the President's already low level. By 2013, the Republican cut is \$5.6 billion (6.1 percent) below the amount needed to maintain purchasing power at the 2003 level. They deepen this cut by requiring the Education and the Workforce Committee to cut entitlement programs by \$261 million in 2004 and by \$9.4 billion over ten years, a cut that would fall on school lunch programs and student loans.
- ***Republicans Cut Most Education Programs by 8.3 Percent for 2004*** — The Republicans cut 2004 appropriations for the Department of Education by \$1.4 billion (2.7 percent) below the 2003 enacted level. However, because the Republicans match the President's funding for several No Child Left Behind Act programs, their across-the-board cut reduces all other education programs by 10.2 percent below the President's levels and by 8.3 percent below the 2003 enacted level. This means, for example, tremendous cuts to safe and drug-free schools, after-school programs, education for homeless children, vocational education, aid to Historically Black Colleges and Universities, and other programs.
- ***Democrats Support Effective Education and Training Programs*** — The Democratic budget rejects the Republican cuts to education. The Democrats provide \$3.2 billion more in appropriations than the Republicans for education, training, and social services for 2004, and \$44.0 billion more than the Republicans over ten years. This funding supports programs that help educate students with special needs, train teachers, provide resources to help schools meet the tough new achievement standards set by the No Child Left Behind Act, and offer effective job training for unemployed adults. The Democratic budget funding not only keeps pace with inflation but grows to meet some of the pressing needs in classrooms, adult employment services, and social service programs.
- ***Republicans Cut the Maximum Pell Grant by \$50*** — The Republicans match the President's funding for Pell Grants, which reduces the maximum Pell Grant from the current \$4,050 to \$4,000 for 2004. This is back to the level of the maximum award in 2002. In addition, if the Education Committee spreads half of its required cut in mandatory spending to the student loan programs, this would cost typical borrowers who consolidate loans an additional \$670 in interest payments.
- ***Republicans Drop 28,000 Children from Head Start*** — Assuming an across-the-board cut, the Republican budget cuts Head Start funding by \$204 million from President Bush's level, eliminating all services for 28,000 low-income children. The program served only 54 percent of the eligible three- and four-year-olds in 2001. This cut would mean even fewer children would participate in Head Start.

Republican Budget for Veterans: Time for More Sacrifice

- ***Republican Budget Cuts Veterans' Benefits and Health Care by \$28.3 Billion*** — Mandatory veterans' benefit programs include compensation for service-connected disabilities and education benefits. New legislation is required to change these benefits. Veterans' health care is funded with annual discretionary appropriations. The Republican budget cuts each category of veterans program – mandatory benefits and discretionary funds for health care – by a total of \$14.2 billion over the next ten years, compared with the levels needed to maintain current law benefits and current levels of purchasing power for health care.
- ***Democrats Protect Veterans Who Protected America*** — Unlike the Republican budget, the Democratic budget does not include any cuts to veterans' benefits over the next ten years. It fully funds veterans' compensation for service-connected disabilities, burial benefits, means-tested pensions for permanently disabled low-income veterans, Montgomery GI Bill education benefits, rehabilitation benefits, and housing loan programs.
- ***Democrats Address Health Care Needs of Our Veterans*** — The Democratic budget addresses the rising demand for veterans health care by funding veterans' health programs, including medical research and construction, at \$2 billion above the level needed to maintain purchasing power at the 2003 level over the next ten years. For 2004, the Democratic budget adds \$216 million above the Republican plan. It provides more for health care than the President's budget and the House Republican budget in each of the next ten years – a total of \$7.3 billion above the President's budget, and \$16.2 billion more than the House Republican budget, over ten years.
- ***Republicans Put Tax Cuts Ahead of Veterans*** — The Republican budget cuts veterans programs in order to finance more tax cuts we can't afford. The Disabled American Veterans summed up the situation as follows: "You're asking veterans to swallow a bitter pill to remedy an illness of your own making. While we all like to see taxes reduced when prudent, cutting already underfunded veterans' programs to offset the cost of tax cuts is indefensible and callous."

Impact of Republican Cuts to Veterans' Benefits

- ***Cuts in veterans' health care*** — The Republican budget cuts appropriated programs for veterans below the level needed to maintain purchasing power at the 2003 enacted level over the next ten years by a total of \$14.2 billion. Health care makes up 96 percent of the discretionary spending for veterans.

- **3.8 Percent Cut to Veterans' Benefits** — The reconciliation instructions in the Republican plan require \$14.6 billion in unspecified reductions in veterans' benefits to root out the "waste, fraud, and abuse" that House Republicans believe can be found there. This \$14.6 billion cut represents a cut of 3.8 percent in mandatory spending below the levels in current law, not the 1 percent reduction the Republicans claim. Over 90 percent of the funding in the jurisdiction of the Veterans' Affairs (VA) Committee is for benefits paid directly to veterans; therefore, a 3.8 percent spending cut will almost certainly require reductions in benefits of 3.8 percent below the levels provided for under current law over the next decade.

As an example of what is needed to achieve these savings, the VA Committee would have to eliminate burial benefits for veterans and reduce cost of living allowance (COLA) increases in compensation payments for veterans with service-connected disabilities for the next six to ten years.

Veterans Reject Republican Proposals

Here's what veterans have to say about the Republican proposal:

- **The Disabled American Veterans:** Has Congress no shame? Is there no honor left in the hallowed halls of our government that you choose to dishonor the sacrifices of our nation's heroes and rob our programs – health care and disability compensation – to pay for tax cuts for the wealthy? (March 17, 2003)
- **The Paralyzed Veterans of America:** We do not consider payments to war-disabled veterans, pensions for the poorest disabled veterans and G.I. Bill benefits for soldiers returning from Afghanistan to be "fraud, waste, and abuse." (March 17, 2003)
- **The American Legion:** This budget defies common sense.... There must be a better way to provide tax relief to the American people than to balance the budget on the backs of disabled veterans. (March 14, 2003)

Republican Medicare Prescription Drug Benefit: Too Small and Not Guaranteed For All Seniors

Republican Level of \$400 Billion Dollars for Medicare Prescription Drugs is Inadequate

—The \$400 billion provided for Medicare prescription drugs is clearly inadequate. This funding level barely covers the House Republicans’ plan from last year, which had large gaps in coverage and no set premium. In fact, the benefit offered last year by the House Republicans was worth 40 percent less than the most popular plan offered to all Members of Congress under the Federal Employees Health Benefit Program.

AARP Says a Prescription Drug Benefit Requires More than \$400 Billion — In a recent letter, AARP said: “A workable prescription drug benefit will require a sizeable commitment of federal dollars. As we learned from last year’s debate, more than \$400 billion will ultimately be needed to create a Medicare prescription drug benefit that our members find valuable.”

Republicans Give Medicare Benefits With One Hand and Take Away Medicaid Benefits for Seniors With The Other — The Republican budget provides an inadequate Medicare prescription drug benefit, and then heaps further injustice upon seniors with \$93 billion in Medicaid cuts over ten years. Nearly 5 million seniors currently rely on Medicaid for nursing home care, prescription drugs, assistance with Medicare out-of-pocket costs, and other services that wrap around their Medicare benefit. Even more impoverished seniors will need Medicaid in the coming years as the Baby Boomers retire. The Medicaid cuts in the Republican budget leave seniors with nowhere to turn and could mean elimination of the Medicaid nursing home benefit for nearly two full years, which saves \$93 billion, or elimination of Medicaid prescription drug coverage for four years, which saves \$92 billion.

Republican Budget May Still Require Medicare Cuts to Pay for Medicare Prescription Drug Benefit — While the Republican budget seemingly relents on its mistaken call for Medicare cuts, it still requires Ways and Means to cut \$62 billion over ten years and Energy and Commerce to cut \$107 billion over ten years. *Nothing in the budget protects Medicare against cuts within those Committees.* Since both Committees may be hard-pressed to find those cuts in their remaining mandatory programs, which mainly consist of welfare programs at Ways and Means and Medicaid at Energy and Commerce, those Committees may still need to look to Medicare to fulfill their targets for spending cuts.

President and House Republicans Do Not Guarantee a Meaningful Prescription Drug Benefit for All Beneficiaries — On March 3, the President finally released the details of his \$400 billion prescription drug plan that show he is still committed to the faulty concept of forcing seniors into private plans if they want to get a meaningful prescription drug benefit. The \$400 billion Medicare reserve in the Republican budget also fails to guarantee a meaningful benefit to seniors who stay in the traditional Medicare program.

Democrats Guarantee a Meaningful Prescription Drug Benefit for All Seniors, Republicans Do Not

Democratic Budget Provides a Minimum of \$528 Billion for a Meaningful Prescription Drug Benefit — The Democratic budget provides a minimum of \$528 billion for a Medicare prescription drug benefit – \$128 billion more than the House Republicans and the President. However, this is just a *minimum* funding level. The Democratic budget also gives the Ways and Means Committee latitude to supply additional funds for prescription drugs by, for example, closing corporate loopholes.

Democratic Budget Guarantees a Universal Benefit — The Democratic budget is absolutely clear that a prescription drug benefit must be available to *all beneficiaries*. This means that all seniors, including those who want to stay in traditional Medicare and those who live in rural areas, get the same comprehensive prescription drug benefit.

Democratic Budget Guarantees a Defined Benefit — Under the Democratic budget, the prescription drug benefit must set defined limits on how much a senior has to pay. The amount seniors pay will not be up to the changing whims of a private health plan.

Democratic Budget Guarantees a Stable Benefit — In order to use funds provided in the Democratic budget, a prescription drug benefit must be administered through a stable delivery system. That means that seniors will not be forced to change health plans every year, just because some private company decides not to serve their hometowns anymore.

Republican Budget Undermines Health Programs

Over 51 Million People Rely on Medicaid, But Republicans Cut the Program

Republican Budget Cuts Medicaid by \$93 Billion — The Republican budget requires \$107 billion in cuts from Energy and Commerce. The bulk of these cuts will certainly fall to Medicaid. In fact, the underlying numbers in the budget resolution recommend a \$93 billion cut to Medicaid.

Cutting Medicaid Means Reducing Health Benefits or Eliminating Eligibility for Millions of People — A \$93 billion cut reduces overall Medicaid spending by \$163 billion once state matching payments are included. Such cuts could mean eliminating eligibility for certain populations or cutting benefits for any of the 51.2 million seniors, children, adults, and disabled individuals who rely upon the program. (See attachment illustrating state-by-state Medicaid cuts under the House Republican budget.)

- Eliminating Medicaid's prescription drug benefit for four years would save \$92 billion.
- Eliminating Medicaid's nursing home benefit for almost two full years (22 months) would save \$93 billion.
- Cutting benefits for the over 25 million children on Medicaid by nearly one-quarter would save \$93 billion.

Democratic Budget Protects Medicaid Funding — The Democratic budget protects funding for Medicaid, providing enough money to continue the program's current services.

Republicans Block Grant Medicaid

Republicans Dismantle Medicaid's Guarantee of Health Care for Low-Income Individuals — Both the House Republicans' and President's budgets abdicate responsibility for health care coverage for low-income populations by allowing states to block-grant Medicaid and the State Children's Health Insurance Program (SCHIP). This radical structural change tempts states with more funding now in exchange for reduced funding down the road, which will likely lead to benefit and eligibility cuts.

- The block grant ends the federal entitlement to health care for 14 million people.
- The block grant effectively ends SCHIP.

Democrats Protect Medicaid and Provide Fiscal Relief to States — The Democratic budget protects the federal entitlement to health care under Medicaid and provides \$10 billion in real fiscal relief to states *this year* (2003). (See attachment illustrating state-by-state fiscal relief under the Democratic budget.)

Republicans Provide Inadequate Funding for the Uninsured

Republicans Lack Meaningful Expansion of Coverage for the Uninsured — The Republican budget provides about \$7 billion over ten years for existing programs that provide health insurance for low-income populations, but it does not go far enough.

Democrats Provide Additional Funding for the Uninsured — The Democratic budget does more for the uninsured, providing \$10 billion over ten years for Medicaid and SCHIP, in addition to \$10 billion in immediate relief for state Medicaid programs. The Democratic budget also creates a reserve fund to provide affordable, comprehensive health insurance coverage to the uninsured. This reserve builds upon and strengthens public and private coverage, and prevents further erosion of existing Medicaid coverage.

Republican Budget Could Mean Cuts to Medicare

Republican Budget May Still Require Medicare Cuts — While the Republican budget seemingly relents on its mistaken call for Medicare cuts, it still requires Ways and Means to cut \$62 billion over ten years and Energy and Commerce to cut \$107 billion over ten years. *Nothing in the budget protects Medicare against cuts within those Committees.* Since both Committees may be hard pressed to find those cuts in their remaining mandatory programs, which mainly consist of welfare programs at Ways and Means and Medicaid at Energy and Commerce, those Committees may still need to look to Medicare to fulfill their targets for spending cuts.

Republicans Slash Appropriations for Public Health Programs

Republicans Cut Public Health Program Funding for 2004 by Nearly 5 Percent — The Republican budget cuts appropriated health programs by \$2.4 billion (4.7 percent) below the amount needed to maintain purchasing power at the 2003 level, and by \$1.6 billion (3.1 percent) below the President's budget. In every subsequent year, the Republican budget continues to cut spending by almost 5 percent below the amount needed to maintain purchasing power.

Cuts Will Hurt a Wide Range of Programs — The Republican resolution fails to state which programs it will cut and by how much. But a cut of \$2.4 billion in funding for 2004 could mean elimination of several critical public health programs.

- Eliminating Ryan White AIDS Programs would produce less than \$2 billion in budgetary savings. The Ryan White programs are the focal point for the federal response to the needs of persons living with HIV in the U.S., including women.
- Eliminating funding for Community Health Centers yields only \$1.5 billion in budgetary savings. There were nearly 3,500 health centers in 2002 providing care to millions of low-income and uninsured people.

- Eliminating eight Institutes at the National Institutes of Health saves \$2.3 billion. However, this cut would undermine the breakthrough research that has the potential to improve the health and quality of life for all Americans.

Democratic Budget Protects Public Health Programs — The Democratic budget restores the \$2.4 billion that the Republican budget cuts in 2004, and then goes a step further, providing an additional \$500 million in 2004 for high-priority public health programs, such as research at the National Institutes of Health. Over ten years, the Democratic budget provides \$27.8 billion more than the House Republican budget, and \$10.8 billion more than the President's budget, for discretionary health programs.

Illustrative State Medicaid Cuts Under House Republican Budget

Federal Medicaid Funds That States Could Lose (fiscal years 2004 to 2013 in millions of dollars)

United States	\$95,000	Louisiana	\$2,113	Oregon	\$1,131
Alabama	\$1,372	Maine	\$643	Pennsylvania	\$4,493
Alaska	\$303	Maryland	\$1,270	Rhode Island	\$505
Arizona	\$1,845	Massachusetts	\$2,737	South Carolina	\$1,536
Arkansas	\$1,080	Michigan	\$2,814	South Dakota	\$221
California	\$9,793	Minnesota	\$1,580	Tennessee	\$2,417
Colorado	\$818	Mississippi	\$1,459	Texas	\$5,664
Connecticut	\$1,155	Missouri	\$2,072	Utah	\$464
Delaware	\$215	Montana	\$276	Vermont	\$285
Dist. Columbia	\$511	Nebraska	\$517	Virginia	\$1,238
Florida	\$4,040	Nevada	\$331	Washington	\$1,735
Georgia	\$2,379	New Hampshire	\$352	West Virginia	\$791
Hawaii	\$292	New Jersey	\$2,491	Wisconsin	\$1,647
Idaho	\$372	New Mexico	\$875	Wyoming	\$117
Illinois	\$2,922	New York	\$12,864	Amer. Samoa	\$2
Indiana	\$1,821	North Carolina	\$2,917	Guam	\$4
Iowa	\$874	North Dakota	\$201	N. Mariana Isl.	\$1
Kansas	\$658	Ohio	\$3,852	Puerto Rico	\$120
Kentucky	\$1,656	Oklahoma	\$1,155	Virgin Islands	\$4

Note: The table illustrates how much each state could lose over the ten year period, if losses are distributed evenly across states in proportion to their estimated federal Medicaid expenditures in FY 2003.

Illustrative State Fiscal Relief Under Democratic Budget

Federal Medicaid Funds that States Could Gain Under Democratic Budget (fiscal year 2003 in millions of dollars)

U.S. Total	\$10,001.8	Louisiana	\$196.8	Oregon	\$138.8
Alabama	\$135.6	Maine	\$37.8	Pennsylvania	\$281.7
Alaska	\$34.5	Maryland	\$87.2	Rhode Island	\$30.4
Arizona	\$204.0	Massachusetts	\$180.4	South Carolina	\$155.3
Arkansas	\$50.9	Michigan	\$424.0	South Dakota	\$14.4
California	\$1,601.5	Minnesota	\$111.6	Tennessee	\$134.1
Colorado	\$55.0	Mississippi	\$143.7	Texas	\$690.8
Connecticut	\$77.2	Missouri	\$110.3	Utah	\$22.9
Delaware	\$15.0	Montana	\$13.7	Vermont	\$18.5
District of Columbia	\$54.1	Nebraska	\$30.1	Virginia	\$104.6
Florida	\$238.6	Nevada	\$19.8	Washington	\$253.2
Georgia	\$133.8	New Hampshire	\$20.7	West Virginia	\$82.5
Hawaii	\$17.6	New Jersey	\$337.3	Wisconsin	\$106.7
Idaho	\$40.0	New Mexico	\$91.5	Wyoming	\$8.0
Illinois	\$415.7	New York	\$1,890.5	Puerto Rico	\$7.4
Indiana	\$101.0	North Carolina	\$346.4	American Samoa	\$0.2
Iowa	\$49.2	North Dakota	\$15.6	Guam	\$0.3
Kansas	\$38.4	Ohio	\$490.2	Northern Marianas	\$0.1
Kentucky	\$84.4	Oklahoma	\$57.5	Virgin Islands	\$0.2

Note: Preliminary estimates for temporary state fiscal relief for last three quarters of FY 2003 by (1) holding state matching rates harmless; (2) providing a 3 percent increase in matching rates to all states; and, (3) providing an additional 3.5% increase in high unemployment states

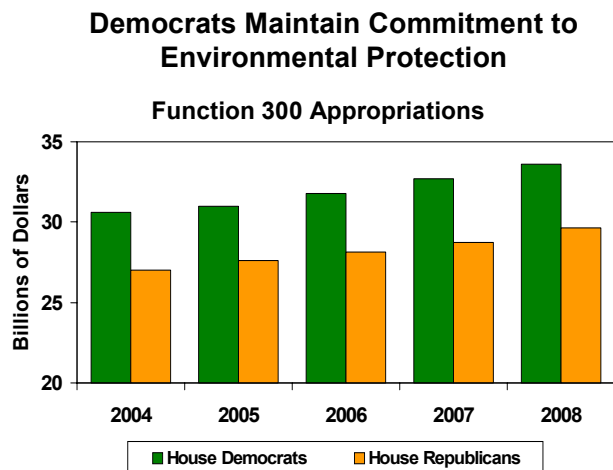
High unemployment states are those with unemployment rates higher than the weighted national average, as assessed quarterly. Estimates are conservative, as it is unknown which new states will qualify over the course of the year. Estimate includes states that already qualify, but some additional states whose unemployment rates rise may qualify later in the year.

Preliminary estimates by the Center on Budget and Policy Priorities. Do not necessarily correspond to CBO estimates. Based on state projections of Medicaid spending for FY 2003, as reported by states November 2002.

Democrats Maintain Commitment to Environment, While Republicans Shortchange Environmental Needs

When it comes to environmental protection, the Democratic budget far outshines the Republican plan. For 2004, the Democratic budget provides \$30.6 billion in appropriations for these vital programs, \$1.4 billion above last year's level and \$500 million over the level needed to maintain current services. By contrast, for 2004 the Republican plan provides only \$27.0 billion in appropriations, which is \$2.2 billion (7.6 percent) below last year's level and \$3.1 billion (10.2 percent) below the level of current services.

For 2004 alone, the Democratic budget provides \$3.6 billion in appropriations more for environmental protection than the Republican budget. Over ten years, discretionary environmental funding in the Democratic budget is *over \$40 billion higher* than in the Republican plan. The difference between Democrats and Republicans could not be more clear: Democrats want to maintain the federal commitment to clean air, clean water, and our nation's natural places; Republicans would rather skimp on funding for environmental protection in order to enact large tax cuts that predominantly benefit the wealthy.



Environmental Initiatives in the Democratic Budget

2004 Environmental Initiatives in the Democratic Budget — With the \$500 million in funding above current services for 2004, Democrats fund the following initiatives:

- ▶ **Wildlife Refuges** — an extra \$100 million for operations and maintenance of the National Wildlife Refuge System, which is celebrating its centennial this year and which has lately been suffering from benign neglect;
- ▶ **National Park Service** — an extra \$50 million above the level of current services for the Park Service's operating and maintenance needs;
- ▶ **Wildfires** — an additional \$150 million above the level of current services for wildfire preparedness, suppression, and restoration, in accordance with current environmental laws and regulations;
- ▶ **Water Infrastructure Aid** — an additional \$50 million above the level of current services for grants to drinking water revolving loan funds, and an additional \$100 million for grants to clean water revolving loan funds; and

- ▶ ***Brownfields*** — an additional \$50 million to ensure full funding of the EPA brownfields clean-up program enacted last year.

Democrats Versus Republicans on Priority Environmental Programs

Democrats Make the Needed Investments in Water Infrastructure — The Democratic budget provides the resources to start addressing the nation's water infrastructure funding gap, which the Environmental Protection Agency has calculated at over \$102 billion for drinking water and \$122 billion for wastewater over the next 20 years. The Republican budget fails to address these needs.

Democrats Take On the Western Wildfire Threat — Over the last few years, the U.S. has experienced some of its worst wildfire seasons, and given the dry winter, this year's could be just as bad. Democrats increase 2004 funding for wildfire preparedness, suppression, and restoration programs by \$150 million over the level of current services. The President and House Republicans provide 2004 funding similar to last year's inadequate amounts.

Democrats Fund Revitalization of Brownfields — The Democratic budget provides full funding to help states clean up and redevelop brownfields, which are industrial sites that lie unused out of fear of liability for environmental contamination. This funding will spur economic development and improve public health in urban areas. The Democratic plan provides \$250 million annually; the Republican budget falls about \$50 million per year short of this level.

Democrats Preserve Funds for Priority Conservation Programs — The Democratic budget adheres to the 2001 landmark agreement setting aside dedicated funding for conservation, preservation, and recreation programs. The Democratic budget provides the entire \$2.1 billion authorized for 2004 and the full amounts for 2005 and 2006. Once again, the Republican budget backtracks on this popular agreement and freezes the overall level of dedicated funding for these programs. The Republican budget particularly squeezes funding for state and federal land acquisition, meaning that critical natural habitat will be lost to sprawl and development.

Democrats Maintain Funding for Army Corps of Engineers — The Republican budget is premised on an unwise and unrealistic cut to appropriations for the Army Corps of Engineers. The Republican budget cuts Army Corps appropriations by \$405 million (8.8 percent) below the 2003 enacted level of \$4.6 billion. For the Corps in 2004, the Democratic budget provides \$4.7 billion in appropriations, an increase of \$118 million over last year's level and enough to maintain the level of current services.

Republicans Clamp Down on Environmental Enforcement Offices — Under Republican control, the number of EPA's enforcement staff has consistently been below the levels of the previous administration. EPA's enforcement offices, which deter polluters from breaking the law in the first place, are the backbone of federal environmental protection. The Democratic budget provides the \$15 million in annual funding necessary to staff these important offices at the 2001 levels.

Republicans Weaken Supports for Working Families; Democrats Strengthen Them

Republicans Underfund Child Care and Slash Safety Net Entitlements

- ***Republicans Provide Inadequate Funding for Child Care*** — The Republican budget assumes enactment of the House Republican welfare reform bill (H.R. 4), which substantially increases work requirements for welfare recipients but increases mandatory child care funding by only \$1 billion over five years. CBO estimates that the new work requirements will increase costs to financially strapped states by up to \$11 billion over five years.
- ***Democrats Have \$11.3 Billion for Child Care*** — The Democratic budget includes an additional \$11.3 billion for child care above current law over the next five years. With this funding, states will be able to serve one million more eligible children and help more low-wage working parents remain self-sufficient.
- ***Republicans Cut Billions from Safety Net Entitlements*** — The Republican budget requires the Ways and Means Committee to reduce direct spending by \$61.5 billion over ten years. The budget assumes no cuts to Medicare, which leaves income security programs to absorb the bulk of the reductions. Programs the Committee could target include:
 - ▶ Earned Income Tax Credit
 - ▶ Supplemental Security Income (SSI) for low-income aged and disabled persons
 - ▶ Foster care and adoption assistance
 - ▶ Child care entitlement to states
- ***Republicans Jeopardize \$11 Billion in Aged and Disabled Benefits*** — If the Ways and Means Committee cuts SSI by the same proportion as other programs in its jurisdiction (and assuming no cuts to Medicare or Social Security), the cut over ten years would be \$11 billion. A cut of this magnitude would require eliminating benefits for hundreds of thousands of low-income aged, blind, or disabled persons. To put this cut in perspective, the 1996 law banning non-citizens from SSI eliminated benefits for half a million legal aliens and reduced spending by \$13 billion over ten years.
- ***Unrealistic Cuts in “Waste, Fraud, and Abuse”*** — The Republicans’ across-the-board mandatory spending cuts ignore the unique circumstances of programs. For example, the General Accounting Office removed SSI from its “high-risk” list this year because the Social Security Administration has greatly improved the integrity of the program. The President’s budget identified only \$405 million worth of SSI program integrity savings

over ten years. To achieve significant savings in SSI would require restricting eligibility or reducing payment levels. The maximum federal SSI payment is already well below the poverty line.

- ***Republicans Target Food Stamps*** — The Republican budget directs the Agriculture Committee to reduce spending by \$600 million in 2004 and by \$18.6 billion over ten years. The Food Stamp program, reauthorized just last year, accounts for more than half of the Committee's mandatory spending. A pro-rata reduction would translate into \$10.4 billion over ten years. To put this cut in perspective, the 1996 welfare reform law saved \$6 billion by reducing benefits and saved \$10.5 billion by tightening income eligibility standards.
- ***Democrats Support Food Stamps and Child Nutrition Programs*** — The Democratic budget provides an additional \$2.5 billion over five years for improvements to the school lunch and breakfast programs. Child nutrition programs are up for reauthorization this year.
- ***Democrats Provide Additional Funding for the Uninsured*** — The Republicans provide \$7 billion over ten years for programs that provide health coverage for the uninsured, which does not go far enough. The Democratic budget provides \$10 billion over ten years for programs providing health coverage to low-income populations, plus another \$10 billion in immediate state Medicaid relief. The Democratic budget also includes a reserve fund to provide comprehensive, affordable health coverage for the uninsured.

Republicans Cut Funding for Appropriated Safety Net Programs

- ***Republicans Slash Funding for Housing and Child Care*** — The Republican budget slashes funding for annually appropriated income security programs in 2004 by \$4.0 billion, or 8.3 percent, below the amount needed to maintain current service levels. Four programs alone account for 85 percent of appropriated income security spending: low-income housing assistance, the child care and development block grant, low-income home energy assistance (LIHEAP), and nutritional assistance for women, infants and children (WIC). The Republican budget assumes the President's request for WIC and LIHEAP, which means housing assistance and child care block grants for states will be cut by 9.5 percent from the amount needed to maintain purchasing power at the 2003 level.
- ***Republicans Eliminate Housing Assistance for 75,000 Families*** — The Section 8 program supplies 3.3 million low-income families with vouchers for decent, affordable housing. The President's budget barely maintains the current number of families in 2004, and his block grant proposal will likely lead to either significant reductions in families served or inadequate help for the lowest-income families in future years. The funding reduction in the Republican budget, if applied across the board, translates into 75,000 poor

families losing housing assistance in 2004. These families would be at risk of living in substandard housing or paying so much in rent that they would not have enough left for food and other needs.

- ***Democrats Maintain Appropriated Safety Net Programs*** — The Democratic budget restores the \$4.0 billion cut by the Republicans and therefore maintains purchasing power for LIHEAP, WIC, housing assistance, and child care. The Democratic budget also restores funding for the HOPE VI program to revitalize distressed public housing.

Republicans Plow Agriculture

Appropriated Programs

The Republican budget cuts appropriated funding for agriculture by \$763 million for 2004, and by \$7.2 billion over ten years compared with the levels needed to maintain purchasing power at the 2003 level. The Republican resolution fails to state which programs will be cut and by how much. The following are examples of the types of cut that could result from the inadequate agriculture funding in the Republican budget.

- ***APHIS Funding Flies the Coop*** — The Republican budget could completely wipe out funding for the Animal and Plant Health Inspection Service (APHIS), which received \$576 million in non-homeland appropriations for 2003. APHIS protects U.S. animal and plant resources from pests and disease, and serves a vital role in safeguarding homeland security through its inspection and quarantine services.
- ***Three-Quarters of Farm Service Agency Staff Harvest Pink Slips*** — The Republican budget might eliminate 75 percent of Farm Service Agency (FSA) staff. FSA staff administers farm loan programs, disaster assistance, and other direct aid to farmers through field offices around the country. These important civil servants are the primary link between farmers and the federal programs upon which they rely.

Democrats Restore Funding

- ***Democrats Do Right By Agriculture*** — The Democratic budget rejects the cuts in the Republican budget. Democrats restore the \$763 million cut to discretionary agriculture programs made by the Republican budget for 2004, and provide \$6.2 billion more than Republicans over ten years.

Mandatory Programs

The House Republican budget requires the Agriculture Committee to cut \$18.6 billion of direct spending over ten years. The Committee's jurisdiction includes Farm Bill programs (farm loans and subsidies, conservation, trade, credit, rural development, forestry, and agricultural research), nutrition programs, crop insurance, and agriculture-related homeland security programs. The House budget resolution fails to state which mandatory programs will be cut and by how much. The following are examples of the types of cuts which the Agriculture Committee would need to make to meet its reconciliation directive.

- ***Republicans Set Aside Conservation*** — If the entire \$18.6 billion is cut from conservation programs, it could completely wipe out the Conservation Reserve Program (CRP) for the next nine years. Over 360,000 farms across the country currently use CRP, which protects nearly 34 million acres of environmentally sensitive land.
- ***Republicans Trample Farm Bill Commodity Programs*** — If the entire cut is applied to commodity programs, it would eliminate the corn program until 2007, the wheat program until 2011, the cotton program indefinitely, or the dairy program four times over.
- ***Republicans Stamp Out Food Stamp Buying Power*** — The Republican resolution could reduce purchasing power of Food Stamps by 12 percent. The Food Stamp program, which was reauthorized just last year, accounts for more than half of all mandatory spending overseen by the Agriculture Committee. A pro-rata reduction in Food Stamps would translate into a cut of roughly \$12 billion over ten years. This translates into a 12 percent reduction in the Food Stamp benefits received by the average disabled household and a 10 percent loss in benefits for the average working poor household.

The Democratic Budget is Better

- ***Democrats Cultivate More Responsible Path*** — The Democratic budget rejects the Republican cut to farm, conservation, and nutrition programs under the Agriculture Committee's jurisdiction. For mandatory programs within Functions 300, 350, and 600, Democrats provide \$102.2 billion more than the Republican budget over ten years.

Sixteen Farm Organizations Oppose the Republican Budget

The American Farm Bureau Federation, the National Farmers Union, and fourteen other farm organizations wrote to Speaker Hastert and Leader Pelosi on March 17, expressing their "concern and strong opposition to the fiscal year 2004 budget resolution adopted by the House Budget Committee." They added:

We believe it is disingenuous to suggest that a balanced budget coupled with substantial tax reductions achieved at the expense of farmers, ranchers, and their communities represent our national priorities for economic growth.

Democrats Do More For Homeland Security

- ***President's Budget Has No Real Increase for Homeland Security*** — The President's budget includes a total of \$41.3 billion for all homeland security activities for 2004, including mandatory, discretionary, and fee-funded activities. This is \$312 million more than the estimate for 2003 contained in the Administration's budget — the most current numbers available. This is a nominal increase of 0.8 percent, and at best keeps pace with the amount needed to maintain purchasing power at the Administration's estimated 2003 level. The President's budget provides no specific funding for port security grants, and pays for its first responder initiative in part by cutting other programs for state and local law enforcement.
- ***House Republican Budget Mirrors President's Budget for Homeland Security*** — The House Republicans state that their budget fully funds the President's request for homeland security. At the same time, the Republican budget cuts overall domestic discretionary funding by \$115 billion below the President's budget over ten years and requires cuts to mandatory spending, forcing homeland security programs to compete with other programs for a shrinking pool of resources.
- ***Democratic Budget Provides \$34 Billion More*** — From 2003-2013, the Democratic budget provides \$34 billion more than the President for homeland security. As proposed in January in our economic stimulus plan, the Democratic budget provides \$10 billion to the states in 2003, allowing states to put the money to work immediately to improve homeland defense. The Republican budget does not contain a penny of this funding. The Democratic budget also provides an additional \$24 billion — at least \$2 billion per year — above the Republican budget to improve homeland security over the ten years from 2004-2013.
- ***Democratic Resources Address Priority Needs*** — The Democratic budget provides the resources needed to train and equip our first responders, strengthen the security of our transportation infrastructure, increase the preparedness of our public health system, and secure our borders.
- ***Budget Is Latest Democratic Effort to Add Funding for Homeland Security*** — During Budget Committee mark-up of the budget resolution, Republicans defeated on a party-line vote a Democratic amendment to increase funding for first responders by \$2.2 billion for 2003. The President himself has stated that the 2003 omnibus appropriations bill falls \$2.2 billion short of what is needed for first responders. The White House and Congressional Republicans also blocked Democratic efforts to add additional money for first responders to the 2003 appropriations bills. For example, Senator Byrd offered an amendment to the omnibus appropriations package that would have added \$5 billion for a number of homeland security activities, including additional funding for first responders. The White House issued a letter opposing the Byrd amendment, and Republicans in the Senate defeated the amendment.

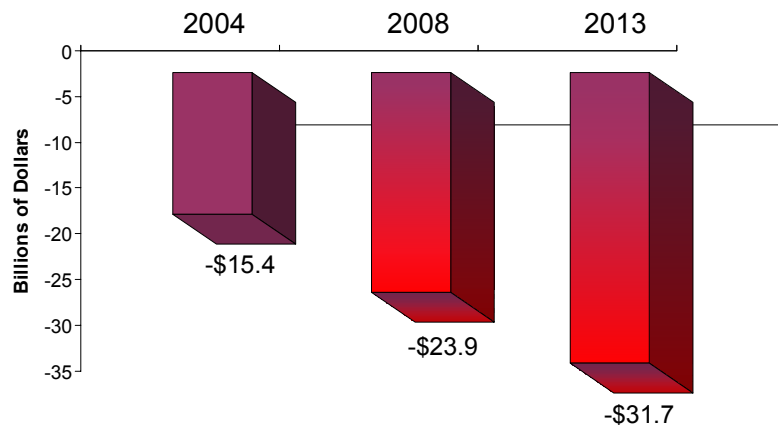
The Republican Budget Cuts Domestic Appropriations

The Republican budget sacrifices funding for domestic priorities to accommodate \$1.35 trillion of the President's newly proposed tax cut. To do so, it cuts all domestic discretionary funding 2.9 percent below the President's budget every year for ten years. These cuts are in addition to the \$265 billion in Republican cuts to mandatory programs over ten years. [See *The House Republican Budget Cuts More than One Percent.*] Over ten years, domestic funding in the Republican budget is \$244.4 billion below the amount needed to maintain services at the 2003 level and is \$115.3 billion below the amount in the President's budget.

Because Republicans exempt homeland security programs from their cuts, the resulting cuts to domestic non-homeland security programs are even greater. This targets cuts to programs such as education, veterans' health care, the environment, and research.

- ***Republicans Cut Purchasing Power Below the 2003 Level*** — The President's 2004 budget cuts domestic appropriations below constant purchasing power, and the House Republican budget goes even further. The Republican resolution cuts domestic appropriations for 2004 by \$15.4 billion (4.3 percent) below the amount required to maintain services at the 2003 level. That cut deepens to \$31.7 billion (6.9 percent) by 2013. Over ten years, the House Republican budget cuts domestic discretionary spending by \$244.4 billion below the amount needed to maintain services at the 2003 level.

Drastic Republican Cut to Domestic Purchasing Power



Prepared by the House Budget Committee Democratic Staff

3/11/03

- ***Republicans are Below a Freeze at 2003*** — The Republican resolution cuts domestic appropriations by \$4.0 billion (1.1 percent) below a freeze at the \$351.5 billion level of appropriations enacted for 2003. Funding not only fails to cover inflation (needed because teacher salaries grow, child care centers' rent increases, maintenance costs at National Parks grow with increases in visitors, etc.), it actually decreases from the current dollar level. Programs will have to fire staff, eliminate services, and terminate future plans. For 2005, domestic funding is a mere 0.7 percent above a freeze at the 2003 enacted level.

- ***Republicans Cut 2.9 Percent Below the President*** — Republicans say they are cutting only one percent from last year's levels. But this representation hides the reality of deep cuts in the Republican budget, which become apparent when comparing the Republican budget with the specific funding for programs in the President's budget. Republicans cut funding for education and training by 3.0 percent, environmental programs by 3.3 percent, and agriculture funding by 3.4 percent from the President's level.

Democrats Provide Realistic Domestic Funding

In stark contrast to the Republican resolution, the Democratic budget increases funding for domestic appropriations by a total of \$43.4 billion over what is needed to keep pace with inflation over the next ten years. This is a total of \$287.8 billion more than the Republicans provide and \$172.5 billion more than the President provides for important domestic priorities such as homeland security, education, and veterans' health.

Priorities in the Democratic Budget — The Democratic budget provides significantly more than the Republican resolution to fulfill the promise to educate America's children, provide an economic safety net for America's most vulnerable populations, and be a responsible environmental caretaker.

- ***Education*** — Over ten years, the Democratic budget provides \$44.0 billion more than the Republicans for education programs that assist students with special needs, for programs that provide unemployed adults with the training they need to get a job, and for social service programs that bring meals on wheels to homebound seniors.
- ***Working Families*** — Over ten years, the Democratic budget provides \$70.8 billion more than the Republicans to maintain Section 8 housing for low-income families at the current level, and to fund the Low-Income Home Energy Assistance Program, WIC, and child care for low-income families.
- ***Environmental Protection*** — Over ten years, the Democratic budget provides \$40.1 billion more than the Republicans to clean up hazardous waste sites, construct treatment plants to provide clean water, and preserve critical habitats.
- ***Homeland Security*** — Over the period 2003-2013, Democrats provide \$34 billion more than Republicans for homeland security. These resources can be used to train and equip our first responders, strengthen the security of our transportation infrastructure, increase the preparedness of our public health system, and secure our borders.
- ***A Real Emergency Fund*** — The Democratic budget provides \$54 billion over ten years in an unallocated reserve fund. This is available to fund pressing national needs, unexpected expenses arising from events such as natural disasters, or to fill gaps created by a faltering economy. This reserve will provide Congress with the flexibility to provide extra funding in the areas that most need it.

Democrats More Fiscally Responsible Than Republicans

- ***Democrats Balance Budget Two Years Earlier and with Less Debt than Republicans*** — The House Republican budget does not reach unified balance until 2012, and Republicans achieve balance only by making deep cuts in services that would be painful to achieve. The Democratic budget has \$821 billion dollars less public debt than the Republican budget. Over ten years, the Democratic budget spends \$149 billion less for interest on the public debt than the Republican budget. That amounts to \$149 billion less in taxes that people will have to pay.
- ***Democrats Weigh Priorities; Republicans Rely on Formulaic Spending Cuts That Either Will Not Occur or Will Harm America's Priorities If They Do*** — The Democratic budget balances the competing priorities of tax relief to stimulate the economy, protection of Medicare and Social Security, and fiscal responsibility with the need to provide adequate resources for homeland security, education, law enforcement, scientific research, and other public investments. House Republicans' putative budget can reach balance only if Congress enacts spending cuts that even one Republican committee chair termed "crazy."
- ***If Republicans Do Not Make the Spending Cuts They Say They Want, Their Budget Will Create at Least Half a Trillion More Public Debt than the Democratic Budget*** — The spending cuts in the Republican resolution strain credulity. If they do not occur, the Republican budget will create chronic, triple-digit deficits just like the President's budget. This will cause debt to mount and burden taxpayers with more spending for interest on the public debt over ten years.
- ***Pursuing Another \$1.35 Trillion in Tax Cuts When the Budget Already Is in Deficit Is the Antithesis of Fiscal Responsibility*** — The single-minded pursuit of top-heavy, back-loaded, fiscally irresponsible tax cuts even larger than those passed two years ago drives all the Republican budgets — in the Senate and House, as well as the President's. The cost of this unbalanced approach is either chronic, triple-digit deficits, like those the President advocates, or shortchanging America's priorities, as the House Republicans propose. As the Concord Coalition notes, "To be effective, a balanced budget plan must also be credible. Unfortunately, the House and Senate plans don't measure up... Neither plan charts a plausible course back to balance, and in that sense they are more rhetorical exercises than realistic budgeting."
- ***Republicans Take a "Dessert First" Approach by Cutting Taxes Before Cutting Spending*** — The Republican budget requires Ways and Means to report legislation to implement new tax cuts by April 11, more than three and a half months before it requires

committees to cut direct spending by \$265 billion. This makes it likely that the tax cuts will occur but the spending cuts will not, resulting in the huge, chronic deficits in the President's budget. If Republicans dropped both their tax cuts and their spending cuts, the budget would balance by 2008, four years earlier.

- ***The Democratic Budget Credibly Protects Social Security, While the Republican Budget Creates a Fiscal Time-Bomb*** — Democrats want to pay down the public debt to prepare for the retirement of 77 million Baby Boomers, which begins in just five years. Republicans continue to promote the idea that privatization offers a painless solution to the fiscal challenges of the Baby Boom's retirement. The President reacted earlier this week to the latest insolvency report for Social Security by again advocating replacing it with private accounts. But, we are still waiting for Republicans to put forth a budget that includes a specific privatization proposal — because even the President's own experts acknowledge it would cost at least another \$1 trillion.
- ***The 75-year Cost of Republicans' New Tax Cuts Is Triple the Projected Social Security Trust Fund Shortfall*** — The respected Center on Budget and Policy Priorities — using the same estimating techniques as the Congressional Budget Office, the Office of Management and Budget, and the General Accounting Office — calculates that the 75-year cost of the new tax cuts Republicans propose is between \$12.1 trillion and \$14.2 trillion in present value. This is more than three times the \$3.5 trillion Social Security shortfall estimated in the most recent report of the program's trustees. In fact, the 75-year cost of Republicans' new tax cuts exceeds the combined long-run shortfalls for both Social Security and Medicare.
- ***Democrats Have a Successful Track Record on Fiscal Discipline; Republicans Do Not*** — President Bush inherited a fiscal legacy no previous president enjoyed: a \$5.6 trillion ten-year surplus. The budget under Democratic leadership had shown improvement for eight straight years, culminating in the first surplus ever without using Social Security. Republicans claimed at that time that this confronted us with the grave "danger" of paying off too much public debt. In just two short years, Republicans have solved that "problem" and replaced it with one far worse — chronic, triple-digit deficits and mounting public debt.

Democratic Tax Cut Stimulates the Economy Now Without the Long-Term Budget Damage of Republican Tax Cuts

- ***Democrats Favor Economic Stimulus That Is Fair, Fast-acting, and Fiscally Responsible*** — Democrats believe that economic stimulus should go to those who need help, not to society's most fortunate. A true stimulus package also should focus on jump-starting the economy now, when it needs it, rather than counting on indirect effects of tax cuts far in the future. Stimulus should allow the budget to recover as the economy recovers, rather than burden long-term growth with long-term deficits.
- ***Republican "Growth" Plan Ignores Need for Stimulus in 2003*** — The Republican tax cut in 2003 is only \$35.1 billion, or one-third of one percent of GDP. This is less than 3 percent of Republicans' total \$1.35 trillion tax package. Tax cuts many years in the future, like those in the Republican budget, do not help the economy today, but the re-emergence of chronic budget deficits from those tax cuts does hold back the economy.
- ***Democrats' Stimulus Plan Has a Substantial Impact Now, When the Economy Needs It*** — The Democratic stimulus proposal puts \$136 billion, or 1.3 percent of GDP, into 2003. This includes one-time tax rebates of \$300 per person (\$600 per couple) that go to all taxpayers, including the 30 million taxpayers who missed out on the last round of anti-recession rebates. It also includes \$31 billion in one-time aid to the states for homeland security expenses, Medicaid costs, ongoing transportation projects, and other priorities. Finally, the Democratic stimulus contains \$18 billion to further extend unemployment insurance to help those who have lost their jobs and cannot find new ones in the stagnant labor market.
- ***Republicans Offer Nothing to Help Hard-pressed State Governments and Nothing to Address Recent Deterioration of Job Prospects*** — The Republican budget completely ignores the fact that tax increases and program cuts by fiscally pressed state governments, if not offset by federal assistance, will make the recession deeper. And, the Republican proposal to eliminate personal income taxes on dividend income will reduce state tax revenues and make state fiscal problems worse. The Republican budget also ignores the need for a longer extension of jobless benefits; the number of people who have been out of work for 27 weeks or more has tripled in the last two years.
- ***Republicans Rely on Untested, Uncertain, and Indirect Measures That Hurt the Long-term Budget Deficit*** — The Republican proposal assumes (1) that changes in households' dividends will encourage more people to invest in the stock market, which will (2) boost the stock market, which will (3) increase the value of people's portfolios, which will (4) prompt increased spending, and which will (5) supposedly boost hiring. If

any link in this causal chain is unreliable, the whole approach to short-term stimulus is unreliable. Meanwhile, the Republican approach has quite certain and quite harmful effects on the long-term deficit.

- ***The Democratic Stimulus Puts Money Directly into the Hands of Households, Businesses, and State Governments Who Are Ready to Spend Now*** — Working families, including those with incomes below \$30,000 who largely did not benefit from the 2001 tax cut, will receive an immediate tax rebate of \$300 per person or \$600 per couple under the Democratic plan. Businesses will receive bonus depreciation — but only if they invest this year. Small businesses will be able to expense a greater amount of investment spending — provided it occurs this year. Unemployment benefits will go directly into pockets of unemployed workers who need help and whose spending will boost economic demand. Aid to the states will also pay out immediately — to cover Medicaid cost increases, to maintain ongoing transportation projects, and to offset security costs that suddenly have been thrust upon them.
- ***We Have Already Tried the Republican Approach, and It Failed*** — When Congress enacted Republican tax cuts in 2001 and 2002, Republicans claimed that these cuts would boost the economy and eventually cause deficits to fade. Instead, more than 2.5 million private-sector jobs have been lost over the last two years. The number of people out of work 27 weeks or more has tripled to 1.9 million. Consumer confidence has dropped to its lowest level in a decade. Real business investment stands 5.6 percent below its level when the President took office. And, of course, the budget has gone from a \$5.6 trillion surplus over ten years to a \$1.8 trillion deficit over that same time period.
- ***Republican Deficits Are Bad for Business and Offset Any Putative Republican Stimulus*** — Business organizations, like the respected Committee for Economic Development, have begun to criticize Republicans' relentless tax cutting because budget deficits hurt the economy. Businesses will be loath to make new investments and households will hold back on major financial commitments as long as they believe government borrowing will remain out of control for the foreseeable future.
- ***Standard Economic Models Show That the Democratic Stimulus Has Almost Twice the Impact on Jobs of the Republican Proposal*** — The Joint Economic Committee of Congress tested the two plans in an even-handed fashion using a variety of mainstream economic forecasting models. Employment growth responded more strongly to the Democratic plan according to all of the models, including the highly respected Macroeconomic Advisors model, which the White House has used to evaluate its own policies. That model says that the Democratic stimulus would boost employment by 1.122 million jobs, but the Republican plan creates about half that, 600,000 jobs.

The House Republican Budget Cuts More than One Percent

[Chart: *Drastic Republican Cut to Domestic Purchasing Power*]

- ***The Myth of the One-Percent Cut*** — Republicans say their budget is only one percent below last year's levels. Though they cut overall domestic appropriations by \$4.0 billion (1.1 percent) below a freeze at the 2003 enacted level, their cuts to most programs are much deeper because they exempt homeland security programs from their cuts. This targets much greater cuts to programs such as education, health care, the environment, and research. Funding not only fails to keep up with inflation (needed because teacher salaries grow, child care centers' rent increases, maintenance costs at national parks grow along with the increases in visitors, etc.), it actually decreases from the current dollar level. Programs will have to fire staff, eliminate services, and terminate future plans. For 2005, domestic funding is a mere 0.7 percent above a freeze at the 2003 enacted level.
- ***Domestic Appropriations 2.9 Percent Below the President*** — The Republicans' 1.1 percent cut below a freeze means that they cut domestic funding by 2.9 percent below the President's budget every year for 10 years. Over ten years, the Republican resolution is \$115.3 billion below the amount in the President's budget. Republicans cut funding for education and training by 2.7 percent, environmental programs by 3.3 percent, and agriculture funding by 3.4 percent from the President's level.
- ***Purchasing Power 4.3 Percent Below the 2003 Level*** — The President's 2004 budget cuts domestic appropriations below constant purchasing power, and the House Republican budget goes even further. The Republican resolution cuts domestic appropriations for 2004 by \$15.4 billion (4.3 percent) below the amount required to maintain services at the 2003 level. That cut deepens to \$31.7 billion (6.9 percent) by 2013. Over ten years, the House Republican budget cuts domestic discretionary spending by \$244.4 billion below the amount needed to maintain services at the 2003 level.
- ***Specific Cuts Go Beyond "Waste, Fraud, and Abuse"*** — When one looks at the actual cuts that Republicans are asking authorizing committees to make, it is clear that this budget asks for cuts deeper than advertised. For example, the Republican budget requires \$14.6 billion in unspecified cuts to veterans' benefits to root out "waste, fraud, and abuse." This \$14.6 billion represents a cut of 3.8 percent over the next ten years. The Paralyzed Veterans of America write: "We do not consider payments to war-disabled veterans, pensions for the poorest disabled veterans and G.I. Bill benefits for soldiers returning from Afghanistan to be 'fraud, waste, and abuse.'" (March 17, 2003)

The Economy Slumps Under This Administration

Then

21 million private-sector jobs ***created*** between January 1993 and January 2001.

5.7 million unemployed in December 2000.

0.6 million Americans unemployed for 27 weeks or longer in December 2000.

Value of stock holdings ***grew*** \$8.5 trillion between January 1993 and January 2001.

Budget ***surplus*** of \$86 billion outside of Social Security in FY 2000.

At beginning of Bush Administration, federal debt projected to be virtually eliminated by 2008.

Industrial production ***grew*** 43 percent between January 1993 and January 2001.

Real GDP increased at an average rate of 3.6 percent from 1993 through 2000.

Real business investment ***increased*** at a 9.3 percent annual rate from 1993 through 2000.

Consumer Confidence index averaged 139 in 2000, ***the highest yearly average on record.***

40 million Americans lacked health insurance in 1994.

Now

2.5 million private-sector jobs ***lost*** between January 2001 and February 2003.

8.4 million unemployed in January 2003.

1.9 million Americans unemployed for 27 weeks or longer in February 2003.

Value of stock market ***fell*** \$4.6 trillion between January 2001 and March 2003.

Budget ***deficit*** of \$453 billion outside of Social Security in FY 2003.

In the House Republican budget, federal debt projected for 2008 at \$4.8 trillion, up from current level of \$3.5 trillion.

Industrial production ***fell*** 2.7 percent between January 2001 and February 2002.

Real GDP increased at an average rate of 1.5 percent in 2001 and 2002.

Real business investment ***fell*** at a 5.6 percent annual rate in 2001 and 2002.

Consumer confidence index dropped to 79 in January 2003, ***the lowest in over nine years.***

41 million Americans lacked health insurance in 2001.

What People Are Saying: Republican Budget Fails to Meet Our Nation's Needs

Veterans

The Disabled American Veterans: “Has Congress no shame? Is there no honor left in the hallowed halls of our government that you choose to dishonor the sacrifices of our nation’s heroes and rob our programs – health care and disability compensation – to pay for tax cuts for the wealthy?” (Letter to Speaker Hastert, March 17, 2003)

The Paralyzed Veterans of America: “We do not consider payments to war-disabled veterans, pensions for the poorest disabled veterans and G.I. Bill benefits for soldiers returning from Afghanistan to be ‘fraud, waste, and abuse’.” (Letter to Speaker Hastert, March 17, 2003)

The American Legion: “This budget defies common sense.... There must be a better way to provide tax relief to the American people than to balance the budget on the backs of disabled veterans.” (Press Release, March 14, 2003)

Children and Education

Children's Defense Fund: “It is a budget blueprint that leaves millions of children, but not a single millionaire, behind...Just the cost of the new dividend tax cut included in the committee's budget plan is more than enough to provide health insurance for all 9.2 million uninsured children in our country and Head Start for all the unserved eligible preschoolers who need it. Yet to make room for the \$1.3 trillion in new tax cuts, the Budget Committee's plan would make some of the deepest cutbacks in investments for children and families in history, escalating the Administration's budget war on children.” (Letter to Members of Congress, March 18, 2003)

Fight Crime: Invest in Kids: “Investing in children is the most effective investment that our nation can make in long-term growth, and will pay off in crime reduction and other benefits for years to come. For a fraction of the price of the Administration's proposed tax cuts, we could achieve full funding of services for abused and neglected children, quality early education and child care, and after-school programs for school-aged children.” (Letter to Members of Congress, March 7, 2003)

American Association of School Administrators: “On behalf of the American Association of School Administrators, representing more than 14,000 school superintendents and local school

administrators, we urge you to vote NO on final passage of the FY 2004 House Budget Resolution, due to the overall lack of commitment to education funding. ... In our view, a vote for the FY 2004 budget resolution is an affirmation of priorities. Cutting funding for education due to lack of federal resources while supporting a tax cut that will cost over \$1.3 trillion suggests priorities that are not in support of America's educators and students." (Letter to Members of Congress, March 19, 2003)

National Education Association: "NEA believes that the Budget Resolution should reflect our nation's priorities, and that improving the education of our nation's children should and must be a priority. Increased investments are needed to ensure every child the opportunity to excel. Unfortunately, the Resolution reported from the Budget Committee reflects the wrong priorities, by providing \$1.3 trillion in tax cuts, while cutting programs for children and public education." (Letter to Members of Congress, March 17, 2003)

Farmers

American Farm Bureau Federation: "Congress committed to address the long and continued economic hardship in rural America through the 2001 budget act and the farm bill enacted less than one year ago. We believe the severe reductions in agricultural spending required by the House Budget Committee's proposal clearly suggest that some in Congress are willing to renege on that long-term commitment to agriculture.

"In an attempt to achieve a balanced budget in the future while accommodating the majority of the President's new tax cut and economic growth initiative, the Committee resolution requires substantial reductions in both mandatory and discretionary spending that supports a wide range of federal agriculture programs.

"The Budget Committee approach would require \$19.17 billion in mandatory and discretionary program cuts. This represents in excess of a 25 percent reduction in the additional resources Congress provided to enhance the economic safety net, nutrition programs, resource conservation and rural development. Compliance with the reconciliation instructions would require the House Agriculture Committee to reduce authorized farm bill spending by approximately 10 percent over the next ten years.

"We believe that to suggest that a balanced budget coupled with substantial tax reductions achieved at the expense of farmers, ranchers, and their communities represents our national priorities for economic growth is disingenuous, and should be opposed." (Press Release, March 18, 2003)

Health Care

American Health Care Association, American Nurses Association, American Academy of Pediatrics, Families USA, National Association of Children's Hospitals, National Council of La Raza, and others: "The Budget Committee's resolution would require the Energy and Commerce Committee to institute Medicaid cuts of an estimated \$95 billion as part of a reconciliation bill. Such devastating cuts will create enormous hardship. These cuts would occur as states are facing the most severe budget crisis since World War II. States need more, not less, federal Medicaid funding to sustain their current Medicaid programs and avoid instituting even greater cutbacks that add to the ranks of the uninsured." (Letter to Members of Congress, March 19, 2003)